



DEFENSE FINANCE AND ACCOUNTING SERVICE

1931 JEFFERSON DAVIS HIGHWAY
ARLINGTON, VA 22240-5291

NOV 22 1999

DFAS-HQ/AOC

MEMORANDUM FOR DIRECTORS FOR ACCOUNTING, DEFENSE FINANCE AND ACCOUNTING SERVICE CENTERS

SUBJECT: Contract Closeout Without Finance and Accounting Reconciliation

The Defense Contract Management Command (DCMC) and the Defense Finance and Accounting Service (DFAS) jointly developed a concept, Fast Track, to expedite the closure of contracts managed at the DFAS Columbus Center. Fast Track allows for the closure of contracts that meet certain performance and financial conditions without the laborious and time-consuming steps of contract reconciliation.

The contracts targeted for Fast Track meet the following conditions: contract completion, positive or zero unliquidated obligation balance at the contract level, and Accounting Classification Reference Number (ACRN) level financial error. Approximately 12,000 completed contracts in the Mechanization of Contract Administration Services that meet these requirements are candidates for Fast Track.

Resolving ACRN level financial errors normally requires hundreds of hours of effort and delays contract closure by months and sometimes by years. We anticipate Fast Track would require 90 days or less to complete.

We have been prototyping Fast Track using contracts nominated by the DCMC to validate the attached procedures. Lessons learned from the prototype will be used to develop a final policy and processing instructions for use in applying Fast Track to future contracts.

Attached are the procedures to be followed for the implementation of Fast Track contract closeout program.

With your help, we can close contracts that otherwise would divert our resources from more pressing, higher interest, contract issues. My point of contact is Lt. Col. Bruce Schroeder at DSN 327-3948 or (703) 607-3948.

Edward A. Harris
Director for Accounting

Attachment:
As stated

PROCEDURES FOR CLOSING CONTRACTS IN THE ACCOUNTING SYSTEM UNDER THE "FAST TRACK" PROGRAM

Introduction: The following procedures describe the closing of accounting records for Mechanization of Contract Administration Services (MOCAS) administered contracts under the Fast Track program. The intent of the Fast Track program is to close accounting records for problem contracts managed in MOCAS where reconciliation would be impractical and the contract has been reasonably determined to be fully executed to the satisfaction of both the government and the contractor. These procedures are not intended to abrogate the responsibility of the funds managers to ensure that funds cited at the time of closure meet legal requirements as to time and purpose.

Applicability: These procedures will apply whenever a contract is approved for closure by the Defense Contract Management Command (DCMC) based on criteria discussed below.

Responsibilities: The following basic steps will be used to process contracts for closure under the Fast Track program:

Center Points of Contact for Fast Track:

Center	Name	Phone #	Fax #	Address
Cleveland	Nancy Shacklock	614-693-6786 DSN 869	8230	DFAS-CO (Bldg. 6) Attn: Cleveland Contract Liaison Office 3990 E. Broad Street Columbus, OH 43213-1152
Columbus	Warren Meisner	614-693-7066 DSN 869	7001	DFAS-CO/ATB 3990 E. Broad Street Columbus, OH 43213-1152
Denver	Glenda Brown	614-693-7326 DSN 869	8845	DFAS-CO (Bldg. 6) Attn: Denver Contract Liaison Office 3990 E. Broad Street Columbus, OH 43213-1152
Indianapolis	Alfredo Ticzon	614-693-8881 DSN 869	8288	DFAS-CO (Bldg. 6) Attn: Indianapolis Contract Liaison Office 3990 E. Broad Street Columbus, OH 43213-1152
Kansas City	Jay Rhyan	614-693-4868 DSN 869	8760	DFAS-CO (Bldg. 6) Attn: Kansas City Contract Liaison Office 3990 E. Broad Street Columbus, OH 43213-1152
DCMC Liaison Office	John Heston	614-693-4969 DSN 869	4919	DFAS-CO Attn: DCMC Liaison Office 3990 E. Broad Street Columbus, OH 43213-1152

Attachment

DCMC:

Administrative Contracting Officers (ACOs) will review their contracts and nominate candidates for Fast Track which meet the following criteria:

1. Contract requires final reconciliation by DFAS-Columbus.
2. The ACO has requested reconciliation from DFAS-Columbus in accordance with Assumption #43 of Revision 8 (Draft) to the DCMC/DFAS/DMC Concept of Operations:
 - a) The ACO has reconciled at a minimum to the ACRN level,
 - b) All obligation reconciliations are certified on the DLA 1797 by the ACO, and
 - c) All funding issues resolved.
3. The contract is shipped complete and final accepted by the government
4. The contractor has billed and been paid complete
5. The Line Item Schedule and Shipment Record (LISSR) in MOCAS has been balanced or identified by the ACO in the ACO notebook remarks field in MOCAS, as completed and agreed to by the DCMC Industrial Specialist.
6. There are no outstanding invoices at DFAS
7. All special closeout actions as required by FAR 4.804, DFAR 204.804, and the DCMC One Book Closeout Chapter 10.2, with the exception of FAR 4.804-5(15) - contract funds review -- have been completed.
8. There are no adverse open actions pending against the contract (such as a demand letter, unresolved termination, or open legal issue, etc.).

For all contracts fitting the preceding criteria the ACO will annotate in MOCAS the R9 code "XR" (ACO Complete, Awaiting Final Recon). From the population of contracts coded "XR", DCMC will nominate to DFAS those that are candidates for Fast Track. After DFAS notifies DCMC that a contract has been accepted for Fast Track, the ACO will then add an additional R9 code in MOCAS -- "XF" (Fast Track). The ACO will retain the contract file until DFAS completes the Fast Track process and moves the contract to Section 5.

Assign the DCMC Liaison Office at Columbus as the single point of contact for contracts nominated for Fast Track by DCMC. Contracts can be included for consideration based on nomination by program managers, funds managers, etc, by notifying the DCMC Liaison, who will in turn, notify the ACO to review and consider nominating that contract.

DFAS Columbus:

Review mail logs, CRRS, and other listing to validate Accounting Classification Reference Number (ACRN) level issues of nominated contracts meet Fast Track criteria.

Verify the contract meets Fast Track requirements by ensuring there is not a Contractor Indebtedness (CI) indicator on the contract and there are no outstanding Demand letters nor is the contract listed in Accounts Receivable or Debt Management tracking system.

Obtain a copy of the Contingency Liability Report (CLR) to identify accounting stations for each nominated contract and forward to the lead accounting center using attached cover letter. The lead center is the center supporting the activity managing the overall contract. For example, the Cleveland Center would be the lead center for contracts written by Navy contracting officers and/or managed by Navy program managers.

Move contracts to Contract Administration Report (CAR) section 4, Opened for Financial Adjustments Only, and add “Fast Track” in the Remarks section (R5 or R6 field) to aid in Shared Data Warehouse (SDW) queries.

Lead Center:

Verify the contract information meets all the requirements. If a contract has been provided that does not meet the requirements, return it to DFAS-CO noting the non-compliance. If the contract is in reconciliation or should be in reconciliation versus Fast Track, the lead center will register the reconciliation in CRRS and notify the DCMC Liaison Office and Columbus that such a contract has been taken off the Fast Track list.

The lead center will contact all affected accounting stations, as determined from the MOCAS obligation history, and obtain obligation and disbursement information for each ACRN on the contract. (See attachment 2 for sample Accounting Status Request letter). The information will include the total amount obligated, the amount expensed, and the remaining balance for each ACRN accounted for at each station. If the affected accounting system accounts for the WIP as a prepayment as opposed to an expense at the time of disbursement, then unliquidated WIP by ACRN, should be provided by the accounting station. Accounting stations will be advised to notify the lead center of any changes made after submitting the report. Requests should be returned within one week.

The lead center will assemble the information and determine the contract level obligation balance. If that balance is zero or positive, proceed with Fast Track closure as outlined below. If the contract obligation balance is negative, the lead center will determine if a limited scope reconciliation can resolve the contract level NULO, and proceed with the reconciliation in

accordance with DoD and DFAS policy and procedures by registering the contract. (Notify DFAS Columbus (DFAS-CO/JR) that the contract is placed in reconciliation status). Once the reconciliation is complete, the contract can be reconsidered for Fast Track closure. For contracts that are still eligible for Fast Track (those with a zero or positive balance at the contract level), the lead center will develop the recommended offsets (disbursement adjustments) of ULO and NULO balances as described below. The lead center will submit, through the supporting OPLOC, the recommended adjustments to the contract's program manager who will, in turn, work with the funds managers as described below.

For contracts where it would be quicker to reconcile and close under the normal process than to close under Fast Track procedures, the Lead Center may elect to perform the reconciliation. However, this reconciliation must start immediately, and be performed as expeditiously as possible.

DFAS Columbus:

For contracts recommended by the lead center for reconciliation, DFAS Columbus will notify the DCMC Liaison that the contract has been registered for reconciliation and will not be part of the Fast Track process.

For contracts proceeding under Fast Track, DFAS-CO/JR will monitor the closeout process and follow up with the lead center on open candidates after 30 calendar days in writing with a copy to DFAS-HQ/AOC.

DCMC:

When the DCMC Liaison is advised that a contract previously nominated for fast track, will not be a part of the Fast Track process and is now registered for reconciliation, the Liaison will notify the cognizant ACO to change the R9 "XF" remark to "XR" in MOCAS. The R9 code "XR" will identify this contract as one that is physically complete, final accepted and final paid, and all closeout actions are complete in accordance with FAR 4.804, DFAR 204.804, and the DCMC One Book Closeout Chapter 10.2, with the exception of FAR 4.804-5(15) – contract funds review.

Lead Center:

Based on previously obtained accounting records, prepare a proposed adjustment sheet to clear all accounting NULOs by applying NULO disbursement balances to available ULO disbursement balances until all NULOs are resolved. The following methods should be used for determining the proposed adjustments (refer to attachment 3 for a sample): (Note: Do not use ACRNs citing FMS funds, 97 11 X 8242, in the adjustment process)

If there is unliquidated WIP in the accounting records, clear by zeroing the WIP line and increasing expenses by the same amount.

Offset NULO balances against ULOs on ACRNs with the same Treasury Index, Fiscal Year, and basic symbol (Defense Working Capital Funds, subheads will also have to match)

If there are corresponding ULO and NULO balances within a contract, regardless of the fiscal year, appropriation, or accounting station, adjust one to cover the other. For example, if ACRN AA has a NULO of \$1M, ACRN AB a NULO for \$100K, ACRN AC a ULO balance of \$100K and ACRN AD a ULO for \$1M; increase ACRN AC disbursements by \$100K and AD by \$1M and decrease ACRN AA disbursements by \$1M and AB by \$100K. If all other ACRNs were zero no other adjustments would be necessary.

For leveling ACRNs where there is no direct relationship, first apply any ULO balances that are from the same type of appropriation as the one containing the NULO. For example, if ACRN DD is FY 97 O&M and has a \$500K NULO and ACRN BB is FY 96 O&M with a \$400K ULO, apply the ACRN BB ULO to the ACRN DD NULO. Continue with any other like appropriations until the NULO is resolved. If there are still NULOs and ULO balances existing at the same accounting station, apply the remaining ULOs until the ULO balance is exhausted at that station. If there are still NULOs remaining, apply the remaining ULO balances to the NULOs by prorating based on the ratio of the remaining ULOs. For example, if the ULO balance is \$100K across three ACRNs and there is a NULO of \$50K, compute the ratio of the ULO balances between the three ACRNs, and adjust each by that ratio to cover the remaining NULO.

If a positive ULO balance remains at the ACRN level after all the adjustments have been made, reduce this balance to zero by eliminating the excess obligation balance.

Assemble the list of proposed adjustments, including deobligations, and forward to the Program Manager through the respective Operating Location (OPLOC). (See attachment 3 for a sample letter.)

Contracts which contain FMS lines of accounting (LOA – 97 11 X 8242) can be candidates for Fast Track. However, until additional procedures are developed to support FMS accountability, these LOAs will not be adjusted. Any contract requiring an adjustment to FMS LOA must be reconciled in accordance with current procedures

Program Manager:

Contact the funds managers and advise them of the proposed accounting adjustments required to close the contract.

Provide the funds managers a list of the proposed adjustments, including the final deobligation if appropriate, and allow them two weeks to respond with any concerns or issues. (See attachment 3a for a sample adjustment sheet and attachment 4 for a sample cover letter to the funds manager).

If no response is received from the funds managers within ten (10) workdays, approve the adjustments as proposed, by signing the bottom of the Proposed Adjustment letter, and send it back to the lead center for processing.

If the funding activities express concerns with the recommended adjustments, they can respond with alternative recommendations as long as the net result of the adjustments does not change.

If the alternative adjustments are acceptable to the Program Manager and do not change the net result, the Program Manager will forward the recommended list back to the lead center for processing.

The program manager will sign the bottom portion of the Proposed Adjustment letter upon coordination of adjustments with the funds managers and return to the Lead Center. This signature by the program manager will suffice as approval for all adjustments pertaining to the contract.

If the Program Manager is unable to resolve all concerns they will forward a letter back to the lead center listing all unresolved concerns, the funds manager(s) involved name and phone number, and the funds manager's service or agency.

Funds Managers:

Work closely with the DCMC, Program Manager and accounting stations to assist in the close out of Fast Track contracts. Ensure that the funds cited in a contract at the time of closure meet legal requirements as to time and purpose.

If the funds managers send no response within ten (10) workdays, this will give tacit approval to the program manager to approve the proposed adjustments and document such approval by letter. This approval will serve as authorization to close the contract in accounting and entitlement systems.

Lead Center:

If necessary, obtain cancelled funds approval by following the procedures as outlined in the Responsible Contract Reconciliation Agent (RCRA) Guide and include a copy of the program manager's approval letter.

Distribute a copy of the program manager's approval letter, cancelled funds approval, and the approved adjustment requirements to the affected accounting stations with the requirement to create and process the adjusting vouchers within five workdays.

For adjustments affecting one accounting station, prepare the appropriate adjustment documentation (JV or 1081) and send only those adjustments to that station.

For adjustments affecting more than one accounting station, the Lead Center will prepare the 1081 adjustment and send the adjustment to the station with the NULO on its books and provide an information copy to the other affected accounting stations.

Canceled fund adjustments will require the Lead Center to coordinate with the appropriate center to which the funds belong. The canceled fund adjustment process will follow current procedures for approval. The approval letter will be part of the documentation sent to the accounting station to process the correction.

Notify the DFAS Columbus (DFAS-CO/JR) by sending a copy of the Program Manager's approval letter so that Columbus can level MOCAS records and file the letter with the contract.

Forward unresolved issues to DFAS-HQ/AO for resolution.

DFAS Columbus

Upon notification by the lead center that the Program Manager has approved the accounting adjustments and there are no disputes among the funds managers, the Columbus Center will:

In MOCAS, clear all NULOs at the ACRN level by applying available ULO balances to any NULO balances and placing the contract in CAR section 5. Adjustment transactions to accomplish this will be processed as MOCAS internal adjustments only.

OPLOCs / Accounting Stations:

Answer all requests for data from the lead center within five workdays.

Process the 1081 or journal voucher in accordance with local procedures within a five workdays. Adjust all sub levels as appropriate to balance to the ACRN value and close all lines in the accounting record.

Work with Lead Center representative to receive and coordinate proposed adjustments with Program Manager or Funds Manager as appropriate.

Document retention will be in accordance with Department of Defense Financial Management Regulations (DoDFMR).

DFAS-HQ/AO:

Coordinate resolution of unresolved recommended adjustments with the funds managers and their parent service or agency. Once all issues are resolved, DFAS-HQ will forward the approved adjustments to the lead center for processing as stated above. If DFAS-HQ is not able

to resolve the differences, the contract will be returned to Columbus for reconciliation in accordance with DoD and DFAS policy.

[Columbus Center Letterhead]

Fast Track Nominee

Contract Number: _____ Date: _____

Attached is the CLR for reference contract that meets all DCMC and DFAS-CO/JR requirements for Fast Track.

Please provide status based upon review of the appropriate OPLOC(s) accounting data by _____.

Signature: _____ Office Symbol: _____

Phone Number: _____ Fax Number: _____

Attachment:
As Stated

=====

Reply to DFAS-CO/JR

___ Not Fast Track candidate – Reason: _____

___ Close MOCAS - Approve Adjustment letter from Program Manager attached.

___ Close MOCAS – No accounting adjustments required.

Signature Lead Accounting Center: _____

Date: _____

Attachment 1
to Attachment

[Lead Center Letterhead]

Accounting Data Request Letter

Date: _____

MEMORANDUM FOR: _____

SUBJECT: Request for Accounting Data on Contract: _____

A request to close the subject contract has been proposed to this center in accordance with Fast Track procedures. Please fill in the attached Accounting Information Worksheet with the data from your system. If there are changes to the requested information after submission, please advise this office by phone, with follow-up fax using the format.

Your assistance is greatly appreciated.

Please return the completed form NLT: _____

Signature: _____

Phone Number: _____ FAX Number: _____

Attachment:
As Stated

Attachment 2
to Attachment

Accounting Information Worksheet

[illegible]

Attachment 2a
to Attachment

[Lead Center Letterhead]

Proposed Adjustments

Date: _____

MEMORANDUM FOR: _____

SUBJECT: Proposed Adjustments on Contract: _____

The Proposed Adjustment Worksheet (attached) contains proposed accounting adjustments to the referenced contract. If approved these adjustments will serve to close the contract in the accounting records. Request you review and forward the worksheet to all affected funds manager(s) for approval. If any funds managers disagree they can propose alternative solutions as long as the net result of the adjustments do not change. Please ensure that funds managers are aware that this process does not abrogate their responsibility to ensure that funds cited at the time of closure meet legal requirements as to time and purpose.

If you are unable to resolve all concerns, send a letter back to us with a list of the unresolved concerns, the funds manager's name and phone number, and the funds manager's service or agency. DFAS Headquarters and the appropriate services will attempt to resolve the issue.

Please return this letter signed, the worksheet and or a listing of the unresolved concerns NLT
_____.

Signature: _____

Phone Number: _____ Fax Number: _____

Program Manager Signature: _____ Date: _____

Attachment:
As Stated

Attachment 3
to Attachment

Proposed Adjustments Worksheet

Appropriation	ACRN	Obligation Total	Disbursement Total	OB Balance	Proposed Disburse Adjustments	New Disbursement Balance
17 5 1804 0000 026 63400 3 063340 1D 000000 005606852000	AA	400,000.00	1,400,000.00	<1,000,000.00>	<1,000,000.00>	400,000.00
21 4 2086 01 4201 644321.AB 26AC QTMR CA200 ADA2361420 0921 AD21 RUSSAB S18129	AD	5,280,000.00	4,280,000.00	1,000,000.00	1,000,000.00	5,280,000.00
17 7 1810 0000 026 BA265 3 068342 2B 000000 002306554001901	AB	100,000.00	200,000.00	<100,000.00>	<100,000.00>	100,000.00
57 7 3600 297 4720 613145 0999950 408 59600 AC	AC	300,000.00	200,000.00	100,000.00	100,000.00	300,000.00
57 7 3400 307 67 12 111300 01 5692 667400 DD	DD	25,000,000.00	25,500,000.00	<500,000.00>	<500,000.00>	25,000,000.00
57 6 3400 306 67 12 111300 02 5692 672300 BB	BB	700,000.00	300,000.00	400,000.00	400,000.00	700,000.00
57 8 3400 308 67 12 111300 01 5692 595600 BD	BD	350,000.00	300,000.00	50,000.00	50,000.00	350,000.00
17 7 1319 A224 025 VA086 1 N65540 2D 000000 007706334008145	CC	650,000.00	600,000.00	50,000.00	25,000.00	625,000.00
57 7 3300 257 67 15 P321 1338 672300 CD	CD	12,000,000.00	11,970,000.00	30,000.00	15,000.00	11,985,000.00
21 8 2020 57 3106 325796.BD 26FB QSUP CA200 GRE12340109003 AB22 W0RNAA S34030	CE	800,000.00	780,000.00	20,000.00	10,000.00	790,000.00

Attachment 3a
to Attachment

[Program Manager Letterhead]

Proposed Adjustments

Date: _____

MEMORANDUM FOR: _____

SUBJECT: Proposed Adjustments on Contract: _____

The Proposed Adjustment Worksheet (attached) contains proposed accounting adjustments to the referenced contract. If approved these adjustments will serve to close the contract in the accounting records. Request you review and approve the proposed adjustments pertaining to your funds. If you disagree with any of the proposed adjustments you may propose alternative solutions as long as the net result of the adjustments do not change. Please be aware that this process does not abrogate your responsibility to ensure that funds cited at the time of closure meet legal requirements as to time and purpose.

If you are unable to approve or proposed alternative adjustments, send a letter back to us with a list of the unresolved concerns.

Please respond with your approval or alternatives by _____. If we do not have a response by this date we will assume you approve of the adjustments as proposed.

Signature: _____

Phone Number: _____ Fax Number: _____

Attachment:
As Stated

Attachment 4
to Attachment

